

TRUSTEE COUNCIL RESOLUTION 04-3
ADOPTED May 6, 2004

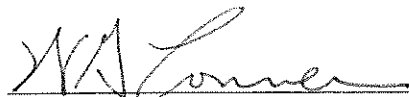
**MONTROSE TRUSTEE COUNCIL RESOLUTION REGARDING
Funding for the Montrose Settlements Restoration Program:
Review and Reconciliation of Restoration Funds Accounts**

1. The National Oceanic and Atmospheric Administration; the State of California acting through the State Lands Commission, the Department of Parks & Recreation and the Department of Fish & Game; and the Department of the Interior, acting through the U.S. Fish & Wildlife Service and the U.S. Park Service are the natural resource trustees (Trustees) for natural resources injured by releases of DDT and PCBs into the Southern California Bight.
2. Sums recovered in the civil action *United States, et al. v. Montrose Chemical Corp., et al.*, No. CV 90-3122-R (C.D. Cal. 1990) are being held in the Department of the Interior Natural Resource Damage Assessment and Restoration Fund (DOI Restoration Fund) and the registry account administered by the U.S. District Court for the Central District of California.
3. The Trustees have entered into a memorandum of agreement (MOA), as modified, that establishes a Trustee Council (Montrose Trustee Council) composed of one voting member for each trustee agency. Under the terms of that MOA, the Montrose Trustee Council is authorized to disburse funds for activities related to the damage assessment and restoration process.
4. NOAA, acting in its capacity as Federal Lead Administrative Trustee has proposed that the Trustees obtain the services of a professional accounting firm, Cotton and Company, to review and reconcile the settlement accounts described under paragraph 2 above. This will include obtaining, reconciling, and ensuring the sufficiency of records documenting all transactions and account histories, and providing the Trustees specific recommendations to ensure adequate fiduciary oversight throughout the implementation of the restoration program.
5. The Montrose Trustee Council resolves unanimously to authorize reimbursement of up to \$20,000 to NOAA from the DOI Restoration Fund to pay for the services from Cotton and Company described in Paragraph 4 above. This amount corresponds to the estimated cost provided in Cotton and Company's proposal (see Attachment 1) and a contingency of approximately 20%.
6. After completion of the work described in Paragraph 4 above, NOAA will provide the Montrose Trustee Council with 1) a comprehensive report presenting the results of the Cotton and Company review, including recommendations for further oversight, and 2) cost

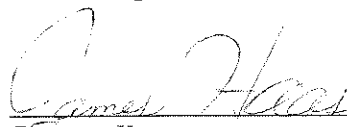
documentation that summarizes costs incurred on the project and includes copies of supporting documentation as required under the Trustees' cost reimbursement procedures.

7. The Montrose Trustee Council reserves the right to reopen, revise, and/or revoke its approval of this Resolution should any material change be made to the sampling plan, or if the Trustees determine that the work performed pursuant to the plan is deficient.
8. The effective date of the Resolution shall be the date on which the last trustee signs this document.

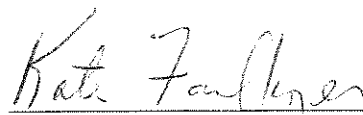
CONCURRED in by the following who are the duly authorized Montrose Trustee Council Representatives:


William Conner
National Oceanic &
Atmospheric Administration

5/6/04
Date


James Haas
U.S. Fish & Wildlife Service

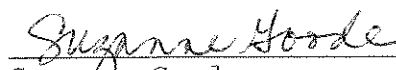
6 May 2004
Date


Kate Faulkner
National Park Service


6 May 2004
Date


Jonathan Clark
State Lands Commission

5/6/04
Date


Suzanne Goode
Department of Parks &
Recreation

5-6-04
Date


Patricia Velez
Department of Fish & Game

5-6-04
Date

Attachment 1
COTTON & COMPANY LLP
auditors • advisors

333 NORTH FAIRFAX STREET • SUITE 401 • ALEXANDRIA, VIRGINIA 22314 • 703/836/6701 • FAX 703/836/0941 • WWW.COTTONCPA.COM

March 30, 2004

Mr. Greg Baker
National Oceanic and Atmospheric Administration

Subject: Proposed Scope of Work for Reviewing and Reconciling
Court Registry Funds for the Montrose Case

Dear Mr. Baker:

Cotton & Company LLP is pleased to submit its proposed scope of work for the subject case. Please call me if you have questions. We appreciate this opportunity. Thank you.

Very truly yours,

Cotton & Company LLP



Colette Y. Wilson, CPA

cc: Mr. Brian Julius

**PROPOSED SCOPE OF WORK FOR
REVIEWING AND RECONCILING
COURT REGISTRY FUNDS FOR THE MONTROSE CASE**

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

As requested by the National Oceanic and Atmospheric Administration (NOAA), Cotton & Company LLP is providing a proposed scope of work for reviewing and reconciling the court registry funds for the Montrose case. Settlement agreements stipulate that the Registry of the Court will administer all amounts paid into these interest-bearing accounts. Likewise, all disbursements from registry accounts will be made by the trustees by order of the Court, in accordance with the Federal Rules of Civil Procedure, 28 U.S.C. § 2041 and 2042 and the Local Rules for the Central District of California.

BACKGROUND

The Montrose case involves four settlements totaling \$140 million; of this amount, approximately \$64 million was deposited into interest-bearing accounts between 1992-2001. Three accounts are being handled by the United States District Court for the Central District of California, administered by the Registry of the Court for the Trustees; the fourth account is being handled by the Department of the Interior's (DOI) Natural Resource Damage Assessment and Restoration (NRDAR) account.

Accounting differences exist between NOAA's legal representative and the documents that have been provided for the court registry and respective designated federal reserve bank accounts. The trustee council is unsure where responsibility for reconciling these funds rests. Consequently, reconciliations for the court registry and DOI NRDAR interest-bearing accounts have not been maintained.

To meet the identified objectives of the proposed task, Cotton & Company will:

- Reconcile court registry accounts to respective bank statements.
- Reconcile authorized disbursements to court registry statements and DOI NRDAR fund records.
- Verify ending balances in each account and determine if interest has been appropriately calculated.
- Determine outstanding past cost payments to be disbursed from these funds.
- Report on reconciliation results and provide recommendations for maintaining reconciled fund balances.

Detailed procedures we will follow to meet these objectives are listed below, followed by our estimated level of effort and cost.

WORKPLAN

Planning and Scheduling

- Obtain and review the following:
 - 28 USC Sections 2041 and 2042, Local Rules of Central District of California Bank and Court Registry Records. *delete*
 - Montrose settlement documents authorizing establishment of interest-bearing accounts.
 - Legal documents authorizing disbursements from the funds.
 - Subsequent consent decrees, court orders, and trustee council resolutions and supporting documentation.
- Coordinate fieldwork dates for respective accounts and make necessary travel arrangements.

Bank Records

- Determine the number and location of banks that have held the Montrose accounts.
- Obtain monthly bank statements for each account and reconcile beginning and ending balances.
- Review all interest calculations.
- Reconcile authorized fund disbursements to entries in the accounts.
- Follow up on all discrepancies and questions, and document conclusions and recommendations.

Court Registry Records

- Obtain court registry records for each fund, and reconcile beginning and ending balances.
- Reconcile disbursements to authorized legal documents and trustee resolutions.
- Reconcile disbursements and interest entries to bank statements.
- Document conclusions regarding the council's oversight and monitoring of court registry activities.
- Follow up on all discrepancies and questions, and document conclusions and recommendations.

DOI NRDAR Account

- Obtain NRDAR account statements and reconcile beginning and ending balances.
- Reconcile fund disbursements and review interest calculations.
- Follow up on discrepancies and questions, and document conclusions and recommendations.

Reporting

Based on all procedures performed, prepare a summary of the reconciliation and future fund accounting practices.

ESTIMATED LEVEL OF EFFORT AND COST

Our estimated level of effort and cost for the proposed task are below. We assumed timely response to requests and availability of documentation in preparing the level of effort and cost estimates.

Task Area	Partner	Supervising	Staff	Total
		Senior		
Planning and Scheduling	4	16	15	35
Bank Records		30	20	50
Court Registry Records	1	30	20	51
DOI NRDAR Records Review	1	10	5	16
Reporting	4	10		14
Total	<u>10</u>	<u>96</u>	<u>60</u>	<u>166</u>

Labor Category	Rate	Hours	Total
Partner	\$128.99	10	\$1,289.90
Supervising Senior	\$77.25	96	7,416.00
Staff	\$44.33	<u>60</u>	<u>2,659.80</u>
Total Labor		<u>166</u>	<u>\$11,365.70</u>

Other Direct Costs

2 roundtrips for 2 persons from Washington to Los Angeles @ \$350/per person \$1,400.00

Per diem for 2 persons for 10 days @ \$157/day 3,140.00

Car rental for 2 weeks @ \$200/week 400.00

Total Other Direct Costs \$4,940.00

Total \$16,305.70